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7digital Group PLC
20 September 2019

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7digital Group plc
("7digital", "the Group" or "the Company")
Interim unaudited results for the half year ended
30 June 2019

7digital Group plc (AIM: 7DIG) ("**7digital**", the "**Company**") today announces its interim results for the six months ended 30 June 2019.

H1 2019 Financial Summary:

- Licensing revenue up 5% to £2.5m (H1 2018: £2.4m) pro forma excluding MediaMarktSaturn ("MMS"), TDC, and discontinued operations
- Overall gross margin up to 74% (H1 2018: 70%)
- Adjusted operating loss down 21% to (£2.0m) (H1 2018: (£2.6m)). After adding back costs capitalised and amortisation charged in 2018, which did not occur in 2019, the like-for-like adjusted operating loss improved by 51% to £2.0m (2018: £4.2m)
- Administrative expenses reduced by £3.5 million to £7.5m (H1 2018: £11.0m) post other adjusting items and capitalised costs
- £1.9m raised in June 2019 for working capital purposes
- Today announced further fundraising via subscription from existing and new shareholders of £1.9m and additional £1.0 million in intended future facility to secure working capital needs
- This means the Company has raised nearly £5.0 million in funding over the past three months

H1 2019 Operational Summary

- Review of the business in April 2019 led to refocused business strategy to fully capitalise on 7digital's cloud-based streaming platform
- Sale of select technology from the Company and its Denmark subsidiary, 7digital ApS, and transfer of staff to TDC Group for a total consideration of €1.375m
- Licensing revenue growth from existing customer base
- Signed Dubset in March 2019 and announced partnerships with Access and Music Powered Games

Post period events:

- Corporate development
  - § Paul Langworthy appointed as Chief Executive Officer
  - § Tamir Koch appointed as Non-Executive Chair and David Lazarus appointed as Non-Executive Director
  - § Michael Juskiewicz appointed as Chief Financial Officer and is joining the Board
- The Company has begun discussions with several financial institutions on opportunity to open a credit facility to optimise its capital structure going forward

Commenting on the results, Paul Langworthy, CEO, said: "It has been a transformational half for the business where we undertook a complete review of the business and its strategy. Having simplified the business and significantly reduced our costs, today's fundraise allows us to move forward and focus on our strategy to fully capitalise on the growth in music streaming. We thank our suppliers and our shareholders for their support and welcome new shareholders on to our share register. We can now move forward with establishing ourselves as a leading global B2B music platform.

"Looking ahead, our revised core strategy, expected incremental revenue and healthy commercial pipeline mean the Board and management look forward to the future with confidence. "

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Operational Review

The first half of 2019 has been categorised by the need to take the necessary steps to give 7digital the best possible chance of success for the future. In spite of the changes within the Company, the licensing revenue on a pro forma basis was up 5% over H1 2018.

The first half has been dominated by the overhaul of the Company's strategy, further cost reduction and the raising of new funds. Late in 2018, it was recognised that a new approach was necessary if the Company was to become a success and deliver for shareholders in the long term. There was a change in senior management, with Simon Cole, CEO, Pete Downton, Deputy CEO, and David Holmwood, the Company's interim CFO, departing in March and April. The Chair, Donald Cruickshank, departed in June.

In April 2019, John Aalbers and Julia Hubbard came on board as Chief Executive and Chief Financial Officer, respectively. They immediately conducted an urgent review of the business to identify and implement necessary changes. Their work also led to the development of a much more focused business strategy to fully capitalise on the capability of 7digital's cloud-based streaming platform.

We entered into contracts and partnerships with a number of interesting and innovative companies. We announced our contract with Dubset, a rights technology company that identifies, claims, and collects royalties for labels and publishers when their catalogues are found within mix content. We entered into partnership with ACCESS Co. Ltd, a global provider of software solutions powering 1.5 billion devices worldwide to enable cutting-edge connected entertainment services in and out of the home, including radio services in the car. We announced our deal with Music Powered Games, a developer of online music games which use song lyrics to power the gameplay.

In May 2019, the Company announced the sale of select technology from the Company and its Denmark subsidiary, 7digital ApS, and transfer of staff to TDC Group for a total consideration of €1.375m.

In June 2019, the Company successfully raised £1.3m through a share issue and the capitalisation of the outstanding £0.6m principal and accrued interest on the Convertible Loan Note, bringing on board new majority shareholders in the form of a consortium led by Tamir Koch and David Lazarus. Since June 2019, Tamir and David have joined the Company's board of directors as Non-Executive Chair and Non-Executive Director, respectively.

Strategy

The primary outcome from the strategic review undertaken was to recognise that the Company was, foremost, a technology company rather than a media company. Accordingly, the Company agreed to focus on the provision of a standardised product that is to be offered to a wide range of enterprises as a "Platform-as-a-Service" ("PaaS") with the appropriate operating structure to support this model. This contrasts with previous strategies in which the Company implemented bespoke solutions for a diverse range of customers often with divergent needs, leading to unprofitable business at higher risk.

7digital's vision is to become the leading supplier of B2B music streaming solutions globally. While the Company continues to sell into, and build on, the "music industry" customer base that the Company has historically been able to secure and service. We intend to focus on growing other B2B markets. Expansion into new markets will be targeted through a focus on identification of specific verticals that exhibit ideal customer characteristics for the deployment of the Company's solutions.

To this end, we have identified the following market verticals in which enterprises with these characteristics reside and have determined that demand is potentially high. These include:

· Mobile Telecommunications - specifically Mobile Virtual Network Operators (MVNOs);

· Retail Loyalty Program Providers; and

· Automotive Systems Providers.

7digital's primary offering would be a "turn-key", advanced-feature, music streaming platform, which enterprises can brand as their own. The Company's platform already provides an extensive music catalogue and can be offered to the enterprise's consumer customers as part of a loyalty and churn reduction programme to increase customer retention.

In addition to the Company's core strategy described above, incremental revenue and competitive advantage is expected be achieved from the second half of 2020 through agreeing an arms-length commercial agreement with eMusic.com, Inc., a leading source of discovery and sales for independent music and artists, a company of which Tamir Koch, Chairman, is President. Synergy is expected to be created with eMusic and its blockchain infrastructure, which would allow DIY artists to upload content to 7digital's platform directly.

The Directors expect this to benefit 7digital by:

· enabling 7digital to distribute to all music digital subscription providers; and

· enabling 7digital to offer unique content when selling to new music service providers.

The Company's sales strategy will be restructured to focus on the tightly defined market verticals where the Company's core customers operate. The Company accordingly intends to both enhance its direct sales force with experienced sales personnel and to also scale up the Company's reach to a much wider market by creating a global partner program.

Financial Review

Licensing revenue from existing and new customers grew by 5% pro forma excluding MMS, TDC, and discontinued operations. Gross margin rose to 74% (H1 2018: 70%) due to the strength of the software licensing business.

The sale of the Danish platform for €1.375m along with the £1.9m of equity and debt conversion secured in June 2019 have further contributed to our working capital needs. As well as providing funds for working capital, the transaction also eliminated around £1.6m in annualised losses.

Cost reduction efforts saw operating losses reduce on an adjusted basis by 21% to (£2.0m) (H1 2018: (£2.6m)) thanks to significantly reducing business costs by £3.5m. By June 2019, we achieved an operational cost run rate, which halves our 2018 operational costs.

Financing and Outlook

The Company, today, has announced a fundraise of £1.9 million from new and existing investors. In addition Magic and SKH have stated to the board their intention to arrange a future facility for the group of up to £---1.0 million, for a total planned financing of £5 million, including the Company's financing in June. The fundraising will remain open for a period to accommodate further demand from institutional and other investors. We are confident that this financing secures the Company's working capital needs to reach for the first-time operational profitability by mid 2020.

We expect to continue to reduce our cost base and achieve an optimal run rate of operational costs by the end of the year.

Completing this funding round means that we can focus on our strategy and secure the business for the long term. With a new strengthened Board in place, a focused strategy, a first-class team, signed deals to announce and a healthy commercial pipeline the Board looks to the future with confidence.

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

Forward looking statements

This announcement contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them at the time of their approval of this announcement and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-look.

Condensed consolidated statement of comprehensive income

Six months ended 30 June 2019 (unaudited)

	Notes	**Unaudited six months ended 30 June 2019 £'000**	Unaudited restated six months ended 30 June 2018 £'000	Audited full year ended 31 Dec 2018 £'000
Continuing operations				
Revenue	2	**5,591**	9,216	19,912
Cost of sales		**(1,480)**	(2,765)	(5,185)
Gross profit		**4,111**	6,451	14,727
Other income	3	**1,269**	243	371
Administrative expenses	4	**(8,426)**	(9,410)	(27,223)
Adjusted operating loss		**(2,045)**	(2,591)	(4,599)
- Share based payments		**(43)**	(30)	(173)
- Foreign Exchange		**(21)**	(95)	(48)
- Other adjusting items	5	**(937)**	0	(7,305)
Operating loss	4	**(3,046)**	(2,716)	(12,125)
Finance income and charges	6	**227**	(10)	(70)
Loss before tax		**(2,819)**	(2,726)	(12,195)
Taxation on continuing operations		**(33)**	(13)	334
Total comprehensive income attributable to owners of the parent company		**(2,852)**	(2,739)	(11,861)
Loss per share (pence)				
Basic and diluted	7	**(0.65)**	(0.69)	(2.97)

Consolidated Statement of Comprehensive Income

Loss for the year		**(2,852)**	(2,739)	(11,861)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		**(24)**	0	(43)
Other comprehensive income		**(2,876)**	(2,739)	(11,904)
Total comprehensive loss attributable to owners of the parent company		**(2,876)**	(2,739)	(11,904)

Condensed consolidated statement of financial position At 30 June 2019 (unaudited)

	Notes	**Unaudited 30 Jun 2019 £'000**	Unaudited restated 30 Jun 2018 £'000	Audited 31 Dec 2018 £'000
Assets				
Non-current assets				
Intangible assets	8	**0**	7,612	1,175
Property, plant and equipment	9	**1,810**	291	128
		1,810	7,903	1,303
Current assets				

Trade and other receivables	10	**2,406**	7,025	6,242
Cash and cash equivalents		**1,851**	682	461
		4,257	7,707	6,703
Total assets		**6,067**	15,610	8,006
Current liabilities				
Trade and other payables	11	**(10,004)**	(10,290)	(10,888)
Loans and borrowings	12	**(388)**	0	(1,306)
Derivative liabilities	12	**0**	0	(257)
Provisions for liabilities and charges - current		**(169)**	(116)	(303)
		(10,561)	(10,406)	(12,754)
Net current assets		**(6,304)**	(2,699)	(6,051)
Non-current liabilities				
Loans and borrowings	12	**(1,585)**	0	0
Other payables	11	**(652)**	(1,907)	(1,207)
Provision for Liabilities and charges		**(125)**	(432)	(125)
		(2,362)	(2,339)	(1,332)
Total liabilities		**(12,923)**	(12,745)	(14,086)
Net assets		**(6,856)**	2,865	(6,080)
Equity				
Share capital	13	**16,548**	14,404	14,420
Share premium account	13	**8,214**	8,232	8,294
Other reserves		**(3,250)**	(3,367)	(3,268)
Retained earnings		**(28,368)**	(16,404)	(25,526)
Total Equity		**(6,856)**	2,865	(6,080)

Condensed consolidated cash flow statement

Six months ended 30 June 2019 (unaudited)

Notes		**Unaudited six months ended 30 June 2019**	Unaudited restated six months ended 30 June 2018	Audited full year ended 31 Dec 2018
	Notes	**£'000**	£'000	£'000
Loss for the period		**(2,852)**	(2,739)	(11,861)
Adjustments for:				
Taxation		**33**	13	(334)
Profit on sale of fixed assets		**(13)**	0	(11)
Finance income		**(270)**	0	0
Net interest		**56**	10	101
Foreign Exchange		**21**	95	48
Amortisation of intangible assets		**285**	1,689	1,839
Depreciation of fixed assets		**250**	80	251
Other adjusting items: impairment of assets		**0**	0	4,077
Share based payments		**43**	30	173
Increase/Decrease in provisions		**(134)**	(196)	(9)
Increase/(decrease) in accruals and deferred income		**201**	(229)	(3,639)
(Increase)/decrease in trade and other receivables		**3,836**	(23)	778
Increase/(decrease) in trade and other payables		**(1,544)**	(1,893)	1,732
Cash flows from operating activities		**(88)**	(3,163)	(6,855)
Taxation		**(28)**	(13)	(44)
Net interest		**(22)**	(10)	(38)
Net cash used in operating activities		**(138)**	(3,186)	(6,937)
Investing activities				
Purchase of property, p&m and intangible assets		**0**	(2,985)	(1,000)
Proceeds from sale of fixed assets		**974**	0	11
Net cash generated / (used) from investing activities		**974**	(2,985)	(989)
Financing activities				
Payment of lease liabilities		**(167)**	0	0
Proceeds from issue of ordinary share capital	13	**1,267**	0	0
Proceeds from issuance of shareholder loans		**0**	0	1,500
Repayment of shareholders loans	13	**(500)**	0	0
Net cash generated from in financing activities		**600**	0	1,500

Net increase/(decrease) in cash and cash equivalents	**1,436**	(6,171)	(6,426)
Cash and cash equivalents at beginning of period	**461**	6,978	6,978
Effect of foreign exchange rate changes	**(46)**	(125)	(91)
Cash and cash equivalents at end of period	**1,851**	682	461

Condensed consolidated statement of changes in equity

Six months ended 30 June 2019 (unaudited)

	Notes	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings (restated) £'000	Total £'000
At 1 January 2018 - as previously reported		14,404	8,232	(3,367)	(12,837)	6,432
Adjustment on the adoption of IFRS 15					(344)	(344)
Prior year adjustments - "PYA"					(484)	(484)
At 1 January 2018 - restated		14,404	8,232	(3,367)	(13,665)	5,604
Loss for the period - as previously reported					(2,616)	(2,616)
Adjustment for period on the adoption of IFRS 15					(123)	(123)
At 30 June 2018 - restated		14,404	8,232	(3,367)	(16,404)	2,865
Loss for the period					(9,122)	(9,122)
Other comprehensive income for the period				(43)		(43)
Shares issued		16	62			78
Share based payment				142		142
At 1 January 2019		14,420	8,294	(3,268)	(25,526)	(6,080)
Adjustment on the adoption of IFRS 16					10	10
At 1 January 2019 - restated		14,420	8,294	(3,268)	(25,516)	(6,070)
Loss for the period					(2,852)	(2,852)
Other comprehensive income for the period				(24)		(24)
Shares issued	13	2,128	(80)			2,048
Share based payment				42		42
At 30 June 2019		**16,548**	**8,214**	**(3,250)**	**(28,368)**	**(6,856)**

Notes to the interim results

Six months ended 30 June 2019 (unaudited)

1. Presentation of financial information and accountingpolicies

Basis of preparation

The condensed consolidated financial statements are for the six months to 30 June 2019.

The information for the six months ended 30 June 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The information for the year ending 31 December 2018 is taken from the Annual Reports and Financial Statements 2018 of 7digital Group plc.

The combined financial information has been prepared in accordance with 7digital Group plc accounting policies. 7digital Group plc accounting policies are in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as issued by the International Accounting Standards Board, and are set out in the 7Ddigital Group plc Annual Reports and Financial Statements 2018, with the exception of the application of new accounting standards as referred to below:.

New standards, interpretations and amendments effective from 1 January 2019

- IFRS 16 - Leases

Details of the impact this standard is given below.

IFRS 16 Leases
Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

(a) Transition Method and Practical Expedients Utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 1 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less. On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space, heavy equipment and automobiles, which had previously been classified as operating leases.

The right-of-use assets were measured as follows:

(a) Office space: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

(b) All other leases: the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.

Notes to the interim results
Six months ended 30 June 2019 (unaudited)

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

	1 January 2019
Right-of-use assets	1,932
Lease liabilities	(2,335)
Accrued costs	169
Net change in retained earnings	**(234)**

The minimum lease commitments disclosed in the Group's 31 December 2018 annual financial statements of £2,903k all relates to the above assets.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In additional, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measure at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed, payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measure using the index or rates as at the commencement date;
- Amounts expected to payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measure at amortised cost using the effective interest method. It is remeasure when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right of use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of comprehensive income.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the interim results
Six months ended 30 June 2019 (unaudited)

Going concern

Summary

On 7 June 2019, 7digital announced a number of important developments to raise additional finance to meet the immediate working capital requirements of the Group. In summary, it was announced that:

- a consortium, comprising Magic Investments S.A. (a tech investment holding company) ("Magic") and Shmuel Koch Holdings Limited ("SKH") had conditionally agreed to subscribe for, an aggregate of, 634,132,641 Subscription Shares at 0.2 pence per share ("Issue Price"), to raise £1.3 million (before expenses);

- Magic had agreed to capitalise the outstanding £585,932 principal and accrued interest of the Convertible Loan Notes at the Exchange Price into 332,915,704 Exchange Shares;
- a number of changes to the Board were proposed, conditional upon the passing of the Resolutions at the General Meeting held on 25 June 2019

The Issue Price represented a discount of 11 per cent to the closing middle market price of an Ordinary Share on 6 June 2019 (beingthe last dealing date prior to the publication of the announcement).

The Resolutions enabling the company to issue share capital in return for £1.3m (before expenses) and convert the Convertible Loan Notes into equity were passed at the shareholders meeting on 25 June 2019. The funds were subsequently received by the company on 26 June 2019 and the Loan Notes were converted on the same date.

The proposals were necessary to finance the immediate working capital requirements of the Group as announced on 9 April 2019 and on 13 May 2019. The Board, however, remained of the view that equity investment in addition to the Subscription and Debt to Equity Swap was required to meet the short-term working capital requirements of the Group.

The Company announced today a subscription to raise £-1.9 million and additional £---1.0 million as an intended future facility to secure working capital needs. The fundraising will remain open for a period to accommodate further demand from institutional and other investors.

The directors have reviewed 7digital's going concern position taking account of its current business activities, budgeted performance and the factors likely to affect its future development as detailed above, and which include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit and liquidity risks.

The directors have reviewed prepared cash flow forecasts by the Company covering a period of 3 years from the date of these results.

It is further noted that should the implementation of the Company's new strategy take longer than currently expected, growth in revenue is slower or the Company is unable to reduce certain costs as anticipated then it is highly likely that the Company will be required to raise additional financing during 2020.

Revenue
IFRS 15 "Revenue from Contracts with Customers"
IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers where revenue is recognized at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer. The new revenue standard supersedes all current revenue recognition requirements under IAS 18 'Revenue'. The Group has applied IFRS 15 on 1 January 2018. The Group has reviewed its position on the contracts not completed at the date of initial application 1 January 2018 and the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings as at 1 January 2018.

The group comprises of mainly three types of revenues

1) Licencing fees (also known as B2B sales)
    a. Setup Fees
    b. Monthly development and support fees
    c. Usage fees
2) Content ("download") revenues (also known as B2C sales)
3) Creative revenues

Changes in accounting policy due to the adoption of the new standard
The adoption of the standard has mainly affected the following areas which is further explained below

1) Set up fees
Set-up activities are not deemed to be separate performance obligations as it is not a distinct service provided to the customer under the contract as they are functional in nature, the performance of which gives customers the right to access 7digital's API platform. Consequently, these have been spread over the period of the contract agreed initially with the customers, as opposed to under IAS 18 where set-up fees were recognized on a straight-line basis over the set-up period (deemed to be the date the contract was signed to the point at which monthly recurring revenues started being invoiced). Therefore, upon the adoption of IFRS 15, the excess of the current and non-current portions of deferred revenue of £137,875 and £206,940, respectively, was transferred to Retained earnings as at 1 January 2018.

2) Creative revenues
The Group analysed several contracts for one-off productions which required the Group to provide progress reports to its customers. The Group has judged that these need to be measured over a period of time according to the percentage-of-completion method. This represents a change in accounting policy from the prior year where these contracts were recognised in line with other Creative contracts using a point-in-time methodology. At the date of initial application, no contracts were outstanding and therefore the introduction of the new standard had no impact on this Revenue stream.

Revenue comprises of:

I. Licensing revenues
7digital defines licensing revenues as fees earned both for access to the company's platform and for development work on that platform in order to adapt functions to customer needs. The Board considers that the provision of Technology Licensing Services comprises three separately identifiable components:

The description of the licence fees compromise three categories;

1. ***Set-up fees:*** Set up fees which grant initial access to the platform, allow use of our catalogue and associated metadata and mark the start of work to define a client's exact requirements and create the detailed specifications of a service.
2. ***Monthly development and support fees*** which cover the costs of developer and customer support time. These are usually fixed and are paid monthly once a service has been specified in detail; they are calculated at commercial rates based on the number of developer or support days required.
3. ***Usage fees*** which cover certain variable costs like bandwidth which can be re-charged to clients with an administrative margin are recognised at point in time based on usage.

II. Content ("download") revenues
Content revenues are recognised at the value of services supplied and on delivery of the content. The group manages a number of content stores and the income is recognised in the month it relates to.

III. Creative revenues
Creative revenues relate to the sale of programmes and other content. 7digital also undertakes bespoke radio programming for its customers. As the programmes are being created the associated revenue is accrued/deferred until such time as the programme is delivered and accepted by the client. These mainly include the production of weekly radio programmes, as well as the one-off production of episodes. In case of one-off productions which required the Group to provide progress reports to its customers and where the company has no alternative use of the program produced, the group recognises revenue over the period ie based on percentage of completion, for the rest of the regular programs and contents, where the company doesn't own the IP, the group measures the revenue based on delivery of the content ie point in time.

Contracts with multiple performance obligations
Many of the Group's contracts include a variety of performance obligations, including Licencing revenue (set-up fees, monthly revenue for using 7digital's API licence platform and usage fees), however may not be distinct in nature. Under IFRS 15, the Group must evaluate the segregation of the agreed goods or services based on whether they are 'distinct'. If both the customer benefits from them either on its own or together with other readily available resources, and it is 'separately identifiable' within the contract.

To determine whether to recognise revenue, the Group follows a 5-step process:

- Identifying the contract with customers
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/ as performance obligations are satisfied

Performance Obligations and timing of revenue recognition
Revenue generated from B2B customer contracts often identify separate goods/services, with these generally being the access of the API license platform, and the associated monthly licence maintenance fees and content usage fees.
The list of obligations as per the contract that are deemed to be one performance obligation in case of licencing revenue are (B2B):

- The licenses provide access to the 7digital platform
- The development and support fees which cover the costs of developer and customer support time
- Usage fees which cover certain variable costs like bandwidth and content

A key consideration is whether licencing fees give the customer the right to use the API Licence as it exists when the licence is granted, or access to API which will, amongst other considerations, be significantly updated during the API licence period.

The group grants the customer a limited, revocable, non-exclusive and non-transferable licence in the Territory during the Term, to use the 7digital API and the content to enable the provision of the Music Service to the End Users via Application.

Set-up fees represent an obligation under the contract, which is not a distinct performance obligation, as the customer is not able to access the platform without them. These are therefore spread over the period of the contract agreed initially with the customers.

Monthly licence maintenance fees indicate service contracts that provide ongoing support over a period of time. Revenue is recognised over the term of the contract on a straight-line basis.
In the case of Creative Revenue, the sole performance obligation is to deliver the content specified as per contract, whether this be the delivery of regular content throughout the year (e.g. a radio series), or the production of a longer, one-off episode.

The only obligation for the group is to deliver the content production agreed in the contract. Control and risks are passed to the customer on delivery of the episode produced, news bulletins etc. The right to the IP varies from project to project. If the customer suggests a specific programme idea to tender they will then own the underlying rights of the recordings and the IPR is exclusive to customer; 7digital's only performance obligation would be to produce the content. In the case of one-off productions for an identifiable customer contract where 7digital is required to update the client on the progress of work completed, the Group applies an output method to determine the stage of completion and amount of revenue to recognize.

Payment terms vary depending on the specific product or service purchased. With licence fees, the set-up fees element is invoiced and paid upfront, while monthly maintenance revenues and usage fees are normally invoiced on a monthly basis. In the case of download sales the cost is paid immediately by the customer upon download of the music/songs content from the 7digital platform. In the case of creative revenues, the payment terms are generally 50% on signing with the balance on delivery. All contracts are subject to these standard payment terms, to the extent that the parties involved expressly agree in writing that the conflicting terms of any agreement shall take precedence.

In the case of fixed-price contracts, the customer pays the fixed amount based on a monthly schedule. If the services rendered by the company exceed the payment, a contract asset (Accrued Income) is recognised; if the payments exceed the services rendered, a contract liability (Deferred Revenue) is recognised.

Determine transaction price and allocating to each performance obligation
The transaction price for licencing fees (set-up fees and monthly licence fee) is fixed as per contract and is explicitly noted in the contract. In the case of usage fees, the per gigabyte fee is determined and agreed in the contract. In the case of creative revenue, the transaction fees for radio services and one-off series is determined by taking into account the length of the production (this may vary for commercials, radio programs, tv shows, series, etc.). Any variations in transaction price are agreed and charged additionally depending on the obligations to be performed. None of the five factors (i.e. variable consideration, constraining estimates of variable consideration, the existence of a significant financing component in the contract, Non-cash consideration, and consideration payable to a customer identified) are particularly relevant to 7digital's customer contracts. The transaction price included in 7digital's contracts is generally easily identifiable and is for cash consideration.

Notes to the interim results
Six months ended 30 June 2019 (unaudited)

Other adjusting items
Other adjusting items are those items the Group considers to be non-recurirng or material in nature that should be brought to the readers' attention in understanding the Group's financial statements. Other adjusting items consist of one-off acquisition costs, costs related to non-recurring legal and statutory events, restructuring costs and other items which are not expected to re-occur in future years.

Intangible assets
Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical accounting judgements and key areas of estimation uncertainty below).

Intangible assets (Bespoke Applications) arising from the internal development phase of projects is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.
Internally generated intangible assets are amortised over their useful economic lives on a straight-line basis, over 3 years.

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. As well as the purchased price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions. Due to the implementation of IFRS16, the brought forward balances at 1 January 2019 have been adjusted to reflect the inclusion of a Rights of Use asset.

Depreciation is provision on all items of property, plant and equipment, so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Property	- 20% per annum straight line
Computer equipment	- 33.33% per annum straight line
Fixtures and fittings	- 33.33% per annum straight line
Right-of-use assets	- over period of the lease

Impairment of tangible and other intangible assets
Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Notes to the interim results
Six months ended 30 June 2019 (unaudited)

Critical accounting judgements and key areas of estimation uncertainty

Measurement of impairment of goodwill and intangibles assets
The carrying value of goodwill and intangible assets is reviewed for impairment at least annually. In determining whether goodwill or intangible assets are impaired, an estimation of the value in use of the cash generating unit (CGU) to which the goodwill and intangible assets have been allocated is required. This calculation of value in use requires estimates to be made relating to the timing and amount of future cash flows expected from the CGU, and suitable discount rates based on the Group's weighted average cost of capital adjusted to reflect the specific economic environment of the relevant CGU. These estimates have been used to conclude that management has fully impaired Goodwill amounting to £688k, customer lists of £418k, intangibles of £2,135k in 7digital Ltd and £705k in the French entity. Further disclosure of these estimates, together with the sensitivity of the underlying impairment calculations to changes in these estimates are provided in note 12 to the audited financial statements.

Revenue recognition
Management considers the detailed criteria for the recognition of revenue from the sale of goods and services as set out in the Group's accounting policy, in particular whether the Group determines the appropriate apportionment of revenue to the correct accounting period and subsequent amount accrued or deferred at the year end.

Capitalisation of internally developed software
Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Correction of prior period errors
As stated in the 2018 audited financial statements, the directors determined two prior year adjustments which have been reflected in the statement of change in equity:

- £416k an under accrual of content in three of the Group's subsidiaries, 7digital Limited, 7digital Group, Inc & SD Music Stores Limited at the end of 2017;

- £68k over accrual of revenue in the Company and one of its subsidiaries, 7digital Limited at the end of 2017.

Notes to the interim results
Six months ended 30 June 2019 (unaudited)

2. Revenue
2.1 Business segments

For management purposes, the Group is organised into three continuing operating divisions - Licensing, Content and Creative. The principal activity of Licensing is the creation of software solutions for managing and delivering digital content. The principal activity of the Content division is the sales of digital music direct to consumers. The principal activity of Creative is the production of audio and video programming for broadcasters. These divisions comprise the Group's operating segments for the purposes of reporting to the Group's chief operating decision maker, the Chief Executive Officer.

	Unaudited six months to 30 Jun 2019	Unaudited restated six months to 30 June 2018	Audited full year ended 31 Dec 2018
	£'000	£'000	£'000
Revenue			
Licensing	**3,636**	5,902	13,410
Content	**1,165**	2,057	3,933
Creative	**790**	1,257	2,569
Total	**5,591**	9,216	19,912
Gross profit			
Licensing	**3,500**	5,785	12,739
Content	**231**	34	849
Creative	**380**	632	1,139
Total	**4,111**	6,451	14,727
Operating profit attributable to revenue streams			
Licensing	**3,809**	4,029	3,890
Content	**224**	32	835
Creative	**345**	621	1,120
Total	**4,378**	4,682	5,845
Other income (unattributable)	**269**	243	371
Corporate expenses	**(7,443)**	(7,641)	(18,341)
Financing income	**33**	1	31
Financing costs	**(56)**	(11)	(101)

Taxation	**(33)**	(13)	334
Loss for the year	**(2,852)**	(2,739)	(11,861)

During the period, licensing revenue included revenue from MediaMarktSaturn ("MMS")/TDC/7digital France of £1,126k (30 June 2018: £3,463k; 31 December 2018 £9,363k). The underlying on-going licensing revenue was £2,510k (30 June 2018: £2,439k; 31 December 2018 £4,047k).

Notes to the interim results

Six months ended 30 June 2019 (unaudited)

2.2 Geographical information

	Revenue			**Non-current assets**		
	Unaudited six months to 30 Jun 2019	Unaudited restated six months to 30 June 2018	Audited full year ended 31 Dec 2018	**Unaudited 30 Jun 2019**	Unaudited restated 30 Jun 2018	Audited 31 Dec 2018
	£'000	£'000	£'000	**£'000**	£'000	£'000
Continuing operations						
United Kingdom	**1,680**	1,497	4,150	**1,810**	6,842	1,303
Europe	**1,660**	5,265	11,681	**0**	1,000	0
Rest of World	**2,251**	2,454	4,081	**0**	61	0
	5,591	9,216	19,912	**1,810**	7,903	1,303

3. Other income

	Unaudited six months ended 30 June 2019	Unaudited restated six months ended 30 June 2018	Audited full year ended 31 Dec 2018
	£'000	£'000	£'000
Research and development tax credits receivable	**160**	243	371
Income from termination agreement with MMS	**1,000**	0	0
Income received from sale of domain names not capitalised	**109**	0	0
	1,269	243	371

4. Operating loss for the year

Operating loss for the year has been arrived at after charging:

	Unaudited six months ended 30 Jun 2019	Unaudited restated six months ended 30 June 2018	Audited full year ended 31 Dec 2018
	£'000	£'000	£'000
Net foreign exchange loss	**21**	95	48
Amortisation of intangibles	**285**	1,689	1,839
Depreciation of property, plant & equipment (i)	**250**	80	251
Operating lease payments (i)	**156**	508	1,290
Bad debt provisions and write offs	**591**	84	539
Share based payment expense	**43**	30	173
Staff costs	**3,612**	4,296	7,929

(1) H1 2019 costs have been affected by the implementation of IFRS 16. H1 2018 and FY 2018 amounts have not been adjusted and are as previously reported.

Notes to the interim results

Six months ended 30 June 2019 (unaudited)

Underlying adjusted administrative costs

As noted in the 2019 Interim highlights, the underlying adjusted administrative costs reflect the impact of capitalizing R&D costs in prior year and the removal of the 2019 other adjusting items:

	Unaudited six months ended 30 June 2019	Unaudited restated six months ended 30 June 2018	Change	Change
	£'000	£'000	£'000	%

Administrative expenses	**(8,426)**	(9,410)	984	-10%
Other adjusting items (see note 5)	**937**		937	
Costs capitalised in 2018 (see note 8)		(3,144)	3,144	
Amortisation of 2018 capitalised costs (see note 8)		1,561	(1,561)	
Administrative expenses - adjusted	**(7,489)**	(10,993)	3,504	-32%

5. Other adjusting items

	Unaudited six months ended 30 June 2019	Unaudited restated six months ended 30 June 2018	Audited full year ended 31 Dec 2018
	£'000	£'000	£'000
Impairment of intangibles (i)	**0**	0	(2,135)
Costs/impairment relating to closure of French business (ii)	**0**	0	(992)
Costs/impairment relating to closure of Denmark business (iii)	**(134)**	0	(1,237)
Development costs expensed on legacy Denmark platform (iv)	**(198)**	0	(2,715)
Corporate restructuring provision	**(321)**	0	(226)
Professional fees relating to contingency planning & fund raising	**(284)**	0	0
	(937)	0	(7,305)

(i) The Group tested intangibles annually for impairment, or more frequently if there are indications that the assets might be impaired. Accordingly, certain bespoke applications have been impaired during the year resulting in a charge of £nil to 30 June 2019 (£nil 30 June 2018; £2,135k 31 December 2018).

(ii) Due to the cessation of the French operations in Snowite SAS, a provision of £nil to 30 June 2019 (£nil 30 June 2018; £287k 31 December 2018) has been made for closing down the operations and an impairment of £nil to 30 June 2019 (£nil 30 June 2018; £705k 31 December 2018) for the intangible assets, as the directors consider these have a zero fair value.

(iii) On 29 May 2019 the Group annouced the sale of select technology from the Parent Company and its Denmark subsidiary, 24-7 Entertainment ApS, and the transfer of staff to TDC Group, a large telecommunications company based in Denmark. Consequently, the net book value of the 2017 fair value adjustments relating to goodwill of £nil to 30 June 2019 (£nil 30 June 2018; £688k 31 December 2018) and to customer lists of £nil to 30 June 2019 (£nil 30 June 2018; £418k 31 December 2018) have been fully impaired during 2018. The 24-7 Entertainment ApS tangible assets of £nil to 30 June 2019 (£nil 30 June 2018; £131k 31 December 2018) have been fully impaired at the year end, as the directors consider these assets to have zero fair value. Due to the cessation of the Danish operations in 2019, a provision of £134k to 30 June 2019 (£nil 30 June 2018; £nil 31 December 2018) has been made for closing down the operations.

(iv) During the normal course of business the group would have capitalised £198k to 30 June 2019 (£nil 30 June 2018; £2,715k 31 December 2018) in respect of development costs associated with the Denmark platform, which was sold during 2019, as described in (iii) above. Due to the sale of this platform these costs have not been capitalised and are reflected in the profit and loss account.

6. Finance income and charges

	Unaudited six months ended 30 June 2019	Unaudited restated six months ended 30 June 2018	Audited full year ended 31 Dec 2018
	£'000	£'000	£'000
Shareholders loans forgiven	**250**	0	0
Profit on sale of fixed assets	**13**	0	11
Release of shareholders interest over accrual	**20**	0	0
Bank interest receivable	**0**	1	1
Rental deposit retained	**0**	0	19
Shareholders interest payable	**0**	0	(64)
Finance costs	**(48)**	0	0
Other charges similar to interest	**(8)**	(11)	(37)
	227	(10)	(70)

7. Earnings per share

	Unaudited six months ended 30 June 2019	Unaudited restated six months ended 30 June 2018	Audited full year ended 31 Dec 2018
Basic and Diluted EPS			
Loss attributable to Share Holders (£'000)	**(2,852)**	(2,739)	(11,861)
Weighted average number of shares (Nos)	**436,816,663**	398,638,987	399,430,438
Per share amount (pence)	**(0.65)**	(0.69)	(2.97)

Notes to the interim results
Six months ended 30 June 2019 (unaudited)

8. Intangible assets

	Bespoke applications	Customer List	Goodwill	**Intangible assets**
	£'000	£'000	£'000	**£'000**
Cost				
At 31 December 2017	8,215	509	688	9,412
Additions - capitalised costs	3,144	0	0	3,144
At 30 June 2018	11,359	509	688	12,556
Additions - capitalised costs reversal	(2,341)	0	0	(2,341)
At 31 December 2018	9,018	509	688	10,215
Disposals	(3,569)	0	0	(3,569)
At 30 June 2019	**5,449**	**509**	**688**	**6,646**
Depreciation				
At 31 December 2017	3,167	88	0	3,255
Charge for period	1,561	44	84	1,689
At 30 June 2018	4,728	132	84	4,944
Charge for period	275	(41)	(84)	150
Impairment losses	2,840	418	688	3,946
At 31 December 2018	7,843	509	688	9,040
Charge for period	285	0	0	285
Disposals	(2,679)	0	0	(2,679)
At 30 June 2019	**5,449**	**509**	**688**	**6,646**
Net book value				
At 30 June 2019	**0**	**0**	**0**	**0**
At 30 June 2018	6,631	377	604	7,612
At 31 December 2018	1,175	0	0	1,175

On 2 May 2019 the Group sold select technology from the 7digital plc and its Denmark subsidiary and transfer of staff to TDC Group, the largest telecommunications company in Denmark for €1,087/£961. The value of the Danish platform at 30 April 2019 was £891k. The difference of £70k is shown as an "other adjusting item" (see note 5).

Notes to the interim results
Six months ended 30 June 2019 (unaudited)

9. Tangible assets

Property	Computer equipment	Fixtures and fittings	Vehicles	Right-of-use assets	**Tangible assets**
£'000	£'000	£'000	£'000	£'000	**£'000**

At 31 December 2017	404	1,795	125	19	0	2,343
Additions	0	47	0	0	0	47
At 30 June 2018	404	1,842	125	19	0	2,390
Additions	0	150	0	0	0	150
Disposals	0	(15)	0	(19)		(34)
At 31 December 2018	404	1,977	125	0	0	2,506
Implementation of IFRS 16	0	0	0	0	2,273	2,273
At 1 January 2019	404	1,977	125	0	2,273	4,779
Disposals	0	0	0	0	0	0
At 30 June 2019	**404**	**1,977**	**125**	**0**	**2,273**	**4,779**
Depreciation						
At 31 December 2017	368	1,522	120	9	0	2,019
Charge for period	18	60	2	0		80
At 30 June 2018	386	1,582	122	9	0	2,099
Charge for period	18	150	3			171
Impairment losses	0	131	0			131
Disposals	0	(14)	0	(9)		(23)
At 31 December 2018	404	1,849	125	0	0	2,378
Implementation of IFRS 16	0	0	0	0	341	341
At 1 January 2019	404	1,849	125	0	341	2,719
Charge for period	0	23	0	0	227	250
Disposals	0	0	0	0	0	0
At 30 June 2019	**404**	**1,872**	**125**	**0**	**568**	**2,969**
Net book value						
At 30 June 2019	**0**	**105**	**0**	**0**	**1,705**	**1,810**
At 30 June 2018	18	260	3	10	0	291
At 31 December 2018	0	128	0	0	0	128

Right-to-use asset is a result of implementing IFRS 16.

Notes to the interim results
Six months ended 30 June 2019 (unaudited)

10. Trade and other receivables

	Unaudited six months ended 30 June 2019	Unaudited restated six months ended 30 June 2018	Audited full year ended 31 Dec 2018
	£'000	£'000	£'000
Trade Debtors	**2,288**	9,107	4,610
Provision for doubtful debts	**(999)**	(2,082)	(408)
Net trade receivables	**1,289**	7,025	4,202
Contract Assets	**450**	0	458
Prepayments	**38**	0	100
Other Debtors	**230**	0	667
R&D credits receivable	**399**	0	815
	2,406	7,025	6,242

The decrease in trade and other receivables is due to the loss of the MMS contract.

11. Trade and other payables

	Unaudited six months ended 30 June 2019	Unaudited restated six months ended 30 June 2018	Audited full year ended 31 Dec 2018
	£'000	£'000	£'000
Current			
Trade Creditors	**4,322**	9,976	4,990
Accrued Costs	**3,863**	0	3,246
Other Taxes and Social Security	**380**	0	984
Other Creditors	**877**	0	519
Contract liabilities	**562**	314	1,149
	10,004	10,290	10,888
	£'000	£'000	£'000
Non-current			
Contract liabilities	**0**	153	141

Other payables	**652**	1,754	1,066
	652	1,907	1,207

Notes to the interim results
Six months ended 30 June 2019 (unaudited)

12. Financial Liabilities

	Unaudited six months ended 30 June 2019	Unaudited restated six months ended 30 June 2018	Audited full year ended 31 Dec 2018
	£'000	£'000	£'000
Current			
Lease liabilities	**388**	0	0
Convertible debt	**0**	0	1,306
Embedded derivative	**0**	0	257
	388	0	1,563
Non-current			
Lease liabilities	**1,585**	0	0
	1,585	0	0

Convertible debt and embedded derivative
On 1 March 2019, £500k of the convertible loan notes were utilised and £250k of the convertible loan notes were forgiven as part of the MMS settlement deal.

On 8 February 2019, £193k of the convertible loan notes plus accrued interest to date were converted into 19,385,843 ordinary shares of 1p each.

On 7 June 2019, the outstanding balance of £587k comprising convertible loan notes and accrued interest were converted in to 332,915,704 new ordinary shares of 0.2p each; these were issued at a 12% discount to the issue price.

During the period £13k of interest was paid and £20k of over accrued interest from prior periods was released to the P&L.

Lease liabilities

	Unaudited six months ended 30 June 2019	Unaudited restated six months ended 30 June 2018	Audited full year ended 31 Dec 2018
	£'000	£'000	£'000
Maturity analysis - contractual discounted cash flows			
Less than one year	**388**	0	0
One to five years	**1,585**	0	0
Total discounted lease liabilities	**1,973**	0	0

Notes to the interim results
Six months ended 30 June 2019 (unaudited)

13. Share Capital and Share premium account

	Unaudited six months ended 30 June 2019	Unaudited restated six months ended 30 June 2018	Audited full year ended 31 Dec 2018
	No. of shares	No. of shares	No. of shares
Allotted, called up and fully paid:			
Ordinary share of 1 penny each	**1,386,670,834**	399,556,701	400,236,646
Deferred share of 9 pence each	**115,751,517**	115,751,517	115,751,517
	£'000	£'000	£'000
Allotted, called up and fully paid	**16,548**	14,404	14,420

On 8 February 2019, £193k of the convertible loan notes plus accrued interest to date were converted into ordinary 1p 19,385,843 of ordinary shares at 1p each.

On 7 June 2019, 332,915,704 new ordinary shares of 0.2p each, totaling £667k, were issued on conversion of £587k of convertible loan notes and accrued interest. These shares were issued at a 12% discount to the issue price resulting in an adjustment between share capital and share premium of £80k.

On 7 June 2019, 634,132,641 new ordinary shares of 0.02p each were issued and fully paid by Magic Investments S.A. and Shmuel Koch Holdings Limited for cash of £1,268k.

14. Related party transactions

Following the acquisition by Magic Investments S.A. and Shmuel Koch Holdings Limited on 7 June 2019, a new related party emerged between Triplay and 7digital. 7digital provided services to Triplay of which Tamir Koch, is the CEO and a minority shareholder. The total services provided by 7digital to Triplay/eMusic from 7 June 2019 to 30 June 2019 was $19k. At 30 June 2019, Triplay owed 7digital $152k/£117k.

During the six month period, the Group paid £nil (2018; £9.6k) to MIDiA Research for music market research services, a company of which Mark Foster is a director. At 30 June 2019, the Group owed £nil (31 December 2018 £6.4k).

15. Post balance sheet event

The Company has today announced a subscription to raise £1.9- million and additional £---1.0 million as an intended future facility to secure working capital needs. The fundraising will remain open for a period to accommodate further demand from institutional and other investors.

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